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| Agency: | 107 Health Care Authority |
| Decision Package Code/Title: | ML2-LD Strengthen State Innovation Plan |
| Budget Period: | 2015 Supplemental Submittal |
| Budget Level: | ML2 – Maintenance Level |

Recommendation Summary Text

PLACEHOLDER

The Health Care Authority (HCA) requests an adjustment to the appropriated level of federal grant funding and FTEs in the 2015 supplemental. This increased authority will support the anticipated successful award of up to \$92.4 million over four years related to the July 20, 2014 submittal to the Center for Medicare and Medicaid Innovation (CMMI) for the State Innovation Model (SIM) Testing Grant.

Package Description

The Healthier Washington project builds the capacity to move health care purchasing from volume to value, improve the health of state residents, and deliver coordinated whole-person care. The Healthier Washington project will achieve better health, better care and lower costs for at least 80 percent of state residents and is estimated to save \$1.05 billion across all payers over the duration of the four-year project.

The effort builds upon and provides a pathway to implement the five-year State Health Care Innovation Plan, which was completed in late 2013 with support from a nearly \$1 million federal SIM grant. The Innovation Plan was further supported in the 2014 legislative session with the passage of Engrossed Second Substitute House Bill (E2SHB) 2572 and Second Substitute Senate Bill (2SSB) 6312, solidifying Washington's path for innovative state purchasing strategies and Medicaid integrated delivery reforms.

In the 2014 Supplemental, the HCA was provided \$17 million in federal authority related to the grant, plus \$2.6 million and two FTEs for operations support based on early assumptions about the potential award of a SIM round two grant from the CMMI. Since passage of the 2014 Supplemental, the CMMI announced the SIM grant opportunity. The potential award amount is twice as large (\$100 million vs. \$50 million) and is available for a longer period (four years vs. three years) as was assumed in the budget.

On July 20, 2014, the HCA submitted the state's application to the CMMI. The amount submitted was \$92,404,133 and 52 staff to be distributed across the HCA, the Department of Health (DOH) and the Department of Social and Health Services (DSHS) over the four-year grant period (annualized average total amounts to approximately 37.5 FTEs). Consultant and contractual investments over the four-year period were proposed at \$54.6 million.

Questions related to this request should be directed to Marcia Wendling at (360) 725-1836 or at Marcia.Wendling@hca.wa.gov.

Fiscal Detail/Objects of Expenditure

Below is a summary of the budget as submitted to the CMMI, as well as brief descriptions of the activities under each investment. Once the grant has been awarded, the HCA will work with the

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DSHS and the DOH to develop a budget plan by fiscal year, as it is dependent upon the effective date of the grant award and the grant award may differ from the requested amount.

| 1 Community Empowerment | | | | | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|--|
| | Year 1 | Year 2 | Year 3 | Year 4 | Project Total | |
| FTE | \$ 3.0 | \$ 3.0 | \$ 3.0 | \$ 3.0 | \$ 3.0 | |
| A. Personnel | \$ 231,594 | \$ 231,594 | \$ 186,954 | \$ 142,314 | \$ 792,456 | |
| B. Fringe Benefits | \$ 69,478 | \$ 69,478 | \$ 56,086 | \$ 42,694 | \$ 237,737 | |
| C. Travel | \$ 7,623 | \$ 5,176 | \$ 5,345 | \$ 10,150 | \$ 28,294 | |
| D. Equipment | \$ - | \$ - | \$ - | \$ - | \$ - | |
| E. Supplies | \$ 35,164 | \$ 10,961 | \$ 9,421 | \$ 7,940 | \$ 63,486 | |
| F. Consultant/Contractual | \$ 200,000 | \$ 400,000 | \$ 400,000 | \$ 200,000 | \$ 1,200,000 | |
| G. Construction | \$ - | \$ - | \$ - | \$ - | \$ - | |
| H. Other | \$ 2,657,233 | \$ 2,594,050 | \$ 2,589,870 | \$ 2,589,870 | \$ 10,431,023 | |
| I. Direct | \$ 3,201,092 | \$ 3,311,259 | \$ 3,247,676 | \$ 2,992,968 | \$ 12,752,995 | |
| J. Indirect | \$ 33,345 | \$ 33,699 | \$ 29,337 | \$ 15,754 | \$ 112,135 | |
| TOTAL | \$ 3,234,437 | \$ 3,344,958 | \$ 3,277,013 | \$ 3,008,722 | \$ 12,865,130 | |

The Community Empowerment and Accountability investment outlined in Healthier Washington invests in “Accountable Communities of Health” (ACHs) that will develop a sustainable presence in their communities and partner with the state to achieve the project’s goals. ACHs will be held accountable for performance results and rapid-cycle learning and improvement. As required by E2SHB 2572, two initial “pilot” ACHs will be awarded by early 2015. Pending pilot results and further design and planning efforts, the project assumes ACH designation across the state by late 2015.

| 2 Practice Transformation | | | | | | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|--|
| | Year 1 | Year 2 | Year 3 | Year 4 | Project Total | |
| FTE | \$ 4.7 | \$ 6.0 | \$ 4.5 | \$ 1.5 | \$ 4.2 | |
| A. Personnel | \$ 555,602 | \$ 631,602 | \$ 486,960 | \$ 342,318 | \$ 2,016,482 | |
| B. Fringe Benefits | \$ 166,681 | \$ 189,481 | \$ 146,088 | \$ 102,695 | \$ 604,945 | |
| C. Travel | \$ 640 | \$ 1,056 | \$ 640 | \$ 1,056 | \$ 3,392 | |
| D. Equipment | \$ - | \$ - | \$ - | \$ - | \$ - | |
| E. Supplies | \$ 35,164 | \$ 10,961 | \$ 9,421 | \$ 7,940 | \$ 63,486 | |
| F. Consultant/Contractual | \$ 1,480,000 | \$ 8,130,000 | \$ 6,230,000 | \$ 3,400,000 | \$ 19,240,000 | |
| G. Construction | \$ - | \$ - | \$ - | \$ - | \$ - | |
| H. Other | \$ 157,233 | \$ 94,050 | \$ 89,870 | \$ 89,870 | \$ 431,023 | |
| I. Direct | \$ 2,395,319 | \$ 9,057,150 | \$ 6,962,979 | \$ 3,943,879 | \$ 22,359,327 | |
| J. Indirect | \$ 33,345 | \$ 33,699 | \$ 29,337 | \$ 15,754 | \$ 112,135 | |
| TOTAL | \$ 2,428,665 | \$ 9,090,849 | \$ 6,992,316 | \$ 3,959,633 | \$ 22,471,462 | |

The Practice Transformation Support investment outlined in Healthier Washington creates a Practice Transformation Support Hub to capitalize on consultant and community expertise in clinical practice transformation. Housed at DOH, early investments in stakeholdering and needs assessments would inform the contracting arrangements for practice facilitation and other support at the state and community levels. This investment area also supports shared decision-making tools to engage individuals and families in their health as well as strengthening and expanding Washington’s multi-disciplinary workforce.

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| 3 Payment Redesign | | | | | | |
|---------------------------|---------------------|---------------------|---------------------|-------------------|---------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Project Total | |
| FTE | \$ 5.2 | \$ 6.0 | \$ 4.3 | \$ 4.3 | \$ | 4.9 |
| A. Personnel | \$ 353,195 | \$ 479,626 | \$ 372,978 | \$ 266,330 | \$ | 1,472,129 |
| B. Fringe Benefits | \$ 105,959 | \$ 143,888 | \$ 111,893 | \$ 79,899 | \$ | 441,639 |
| C. Travel | \$ 2,424 | \$ 2,424 | \$ 2,424 | \$ 2,424 | \$ | 9,696 |
| D. Equipment | \$ - | \$ - | \$ - | \$ - | \$ | - |
| E. Supplies | \$ 35,164 | \$ 10,961 | \$ 9,421 | \$ 7,940 | \$ | 63,486 |
| F. Consultant/Contractual | \$ 2,000,000 | \$ 1,500,000 | \$ 1,250,000 | \$ - | \$ | 4,750,000 |
| G. Construction | \$ - | \$ - | \$ - | \$ - | \$ | - |
| H. Other | \$ 157,233 | \$ 94,050 | \$ 89,870 | \$ 89,870 | \$ | 431,023 |
| I. Direct | \$ 2,653,975 | \$ 2,230,949 | \$ 1,836,586 | \$ 446,463 | \$ | 7,167,973 |
| J. Indirect | \$ 33,345 | \$ 33,699 | \$ 29,337 | \$ 15,754 | \$ | 112,135 |
| TOTAL | \$ 2,687,320 | \$ 2,264,648 | \$ 1,865,923 | \$ 462,216 | \$ | 7,280,107 |

The Healthier Washington project proposes four payment and delivery test models to integrate physical and behavioral health, pioneer new payment methodologies for the state's primary care and rural health delivery system, and applies the State's purchasing power to drive accountable delivery and payment models.

| 4 Information Exchange - Performance Measurement | | | | | | |
|---|----------------------|---------------------|---------------------|---------------------|---------------|-------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Project Total | |
| FTE | \$ 16.0 | \$ 17.0 | \$ 12.8 | \$ 8.5 | \$ | 13.6 |
| A. Personnel | \$ 1,492,615 | \$ 1,346,059 | \$ 1,229,557 | \$ 1,122,460 | \$ | 5,190,691 |
| B. Fringe Benefits | \$ 447,785 | \$ 403,818 | \$ 368,867 | \$ 336,738 | \$ | 1,557,207 |
| C. Travel | \$ - | \$ - | \$ - | \$ - | \$ | - |
| D. Equipment | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ | 1,500,000 |
| E. Supplies | \$ 35,164 | \$ 10,961 | \$ 9,421 | \$ 7,940 | \$ | 63,486 |
| F. Consultant/Contractual | \$ 5,050,000 | \$ 6,800,000 | \$ 5,800,000 | \$ 4,450,000 | \$ | 22,100,000 |
| G. Construction | \$ - | \$ - | \$ - | \$ - | \$ | - |
| H. Other | \$ 4,227,533 | \$ 814,350 | \$ 630,095 | \$ 450,020 | \$ | 6,121,998 |
| I. Direct | \$ 12,753,097 | \$ 9,375,188 | \$ 8,037,940 | \$ 6,367,158 | \$ | 36,533,382 |
| J. Indirect | \$ 33,345 | \$ 33,699 | \$ 29,337 | \$ 15,754 | \$ | 112,135 |
| TOTAL | \$ 12,786,442 | \$ 9,408,887 | \$ 8,067,277 | \$ 6,382,911 | \$ | 36,645,517 |

The Analytics, Interoperability and Measurement investment outlined in Healthier Washington invests in an innovative solution portfolio that builds analytic and measurement capacity and develops a diverse tool set needed for the translation and visualization of data from multiple sectors into actionable information. Information technology investments also will amplify current data collection efforts and interoperability capacity critical for effective delivery of health care.

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| 5 Project Management | | | | | | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|--|
| | Year 1 | Year 2 | Year 3 | Year 4 | Project Total | |
| FTE | \$ 13.5 | \$ 12.3 | \$ 11.3 | \$ 10.5 | \$ 11.9 | |
| A. Personnel | \$ 1,018,751 | \$ 1,180,374 | \$ 935,169 | \$ 824,539 | \$ 3,958,833 | |
| B. Fringe Benefits | \$ 305,625 | \$ 354,112 | \$ 280,551 | \$ 247,362 | \$ 1,187,650 | |
| C. Travel | \$ 27,904 | \$ 20,064 | \$ 20,064 | \$ 20,064 | \$ 88,096 | |
| D. Equipment | \$ - | \$ - | \$ - | \$ - | \$ - | |
| E. Supplies | \$ 35,164 | \$ 10,961 | \$ 9,421 | \$ 7,940 | \$ 63,486 | |
| F. Consultant/Contractual | \$ 2,260,000 | \$ 2,010,000 | \$ 1,760,000 | \$ 1,260,000 | \$ 7,290,000 | |
| G. Construction | \$ - | \$ - | \$ - | \$ - | \$ - | |
| H. Other | \$ 163,315 | \$ 95,588 | \$ 91,408 | \$ 91,408 | \$ 441,719 | |
| I. Direct | \$ 3,810,759 | \$ 3,671,099 | \$ 3,096,612 | \$ 2,451,312 | \$ 13,029,783 | |
| J. Indirect | \$ 33,345 | \$ 33,699 | \$ 29,337 | \$ 15,754 | \$ 112,135 | |
| TOTAL | \$ 3,844,104 | \$ 3,704,798 | \$ 3,125,949 | \$ 2,467,066 | \$ 13,141,918 | |

The Healthier Washington project includes strategic investments in project management infrastructure and resources to execute and evaluate initiatives with continuous feedback and performance measurement. This will ensure the project completes its required deliverables on time, within budget, and in a transparent manner.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

Healthier Washington leverages the commitment of 12 commercial and Medicaid payers, nearly every major health system, and targets the engagement of 80 percent of Washington's residents. The project will achieve better health, better care and lower costs for nearly 5.6 million state residents and is estimated to save \$1.05 billion across all payers over the duration of the four-year project.

Performance Measure Detail

Activity Inventory

H001 HCA Administration

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

The mission of the HCA is to provide high quality health care for the state's most vulnerable residents. The project will achieve better health, better care and lower costs for the state's residents.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?

Because of the cross-cutting nature and impact to multiple sectors that go beyond the traditional health care sector, Healthier Washington will impact Results Washington priorities around healthy and safe communities, prosperous economy and world-class education. Impacts beyond the health care marketplace are due to the project's recognition that factors outside the health care system have an impact on health; with physical environment, health behaviors and socio-economic factors as major determinants.

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Specifically within the Governor’s healthy and safe communities priority, the Healthier Washington project proposes to utilize Results Washington as a key underpinning for its measurement efforts.

Cost and quality targets include:

- Increase the percent children (19 to 35 months) receiving all recommended vaccinations from 65.2 percent in 2012 to 72.6 percent by 2016;
- Decrease percent of adults smoking cigarettes from 17 percent in 2011 to 15 percent by 2017;
- Decrease percent of adults reporting fair or poor health from 15 percent in 2011 to 14 percent by 2017;
- Increase percent of adults with healthy weight from 36 percent in 2011 to 38 percent by 2016;
- Increase percent of persons with healthy weight among Native Hawaiians/Other Pacific Islanders from 33 percent to 35 percent; American Indians/Alaska Natives from 21 percent to 25 percent; Blacks from 23 percent to 26 percent; Hispanics from 31 percent to 33 percent by 2016;
- Decrease percent of preterm births from 9.6 percent, in 2011 to 9.1 percent by 2016;
- Decrease the Primary Term Single Vertex (TSV) C Section cesarean section rate from 15.4 percent to 14.76 percent by 2016;
- Increase percent residents who report they have a personal doctor or health care provider from 75 percent to 82 percent by 2016;
- Increase the percentage of mental health consumers receiving a service within 7 days after discharge from inpatient settings from 59 percent to 65 percent by June 30, 2015;
- Constrain annual state-purchased health care cost growth to one percent less than national health expenditure trend; and
- Constrain the four-year average rate of growth for employer-based insurance premiums during 2012 to 2016 to 0.5 percent less than the national trend.

What are the other important connections or impacts related to this proposal?

Estimated savings and cost avoidance related to Healthier Washington were developed assuming that it will be fully and successfully implemented. This will require bold action, particularly with regard to critical and foundational data capacity and transparency and integrated physical and behavioral health. One of the most important and fundamental structural changes proposed in the project as a critical component for transformation is the ability to collect, understand and communicate quality and cost information. High-quality data supporting clearly articulated measurements against meaningful benchmarks will enable calculation of actual return on investment. Success in quality and price transparency will create implicit incentives for efficiency, cost savings, and broad improvement in the health of Washington residents.

Additionally, Healthier Washington is widely supported by a broad range of stakeholder groups. A foundational principle of this effort is that it be transparent and inclusive. Public and private leaders

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across the state were part of an intensive stakeholdering and communication effort, with more than 1,100 total stakeholders engaged throughout the state.

What alternatives were explored by the agency, and why was this alternative chosen?

An effort of the magnitude proposed by Healthier Washington demands a new level of change management that links and aligns state agencies, legislators, and key public and private organizations. Sufficient accountable project management enhanced state analytic capacity and skilled project consultants afforded through the SIM grant opportunity will ensure real-time evaluation and improvement of Healthier Washington initiatives.

What are the consequences of adopting this package?

Healthier Washington leverages the commitment of 12 commercial and Medicaid payers, nearly every major health system, and targets the engagement of 80 percent of Washington’s residents. The project will achieve better health, better care and lower costs for nearly 5.6 million state residents and is estimated to save \$1.05 billion across all payers over the duration of the four-year project.

What is the relationship, if any, to the state capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in to implement the change?

None

Expenditure and Revenue Calculations and Assumptions

Revenue Calculations and Assumptions:

This request assumes that all costs identified are supported by the federal grant.

Expenditure Calculations and Assumptions:

Expenditures are a mix of estimated costs from the HCA, the DSHS, and the DOH. This request includes costs for staff and their associated costs, travel related to grant management, equipment to support information technology changes, and various contracts as identified in the grant application.

Which costs, savings, and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

Federal funding is one-time to assist with advancing Healthier Washington. Ongoing support needs to be developed and supported by public and private enterprises.

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Budget impacts in future biennia:

The success of Healthier Washington will rely on sound, sustainability plans which will be developed throughout the grant period, with sustainability plans in place for each investment area by 2017. Future funding requests will identified as part of this process.